

Message Text

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PAGE 01 ATHENS 02375 01 OF 02 221804Z

ACTION EB-08

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TO SECSTATE WASHDC PRIORITY 5085

INFO AMEMBASSY ROME PRIORITY

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DAMASCUS

AMEMBASSY LONDON

AMEMBASSY PRETORIA

AMEMBASSY SINGAPORE

AMEMBASSY CANBERRA

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

AMCONSUL JOHANNESBURG

UNCLAS SECTION 1 OF 2 ATHENS 2375

AMEMBASSY ROME FOR RCAA

DEPT PASS COMMERCE FOR COHEN, HALE, MYERS;

FAA FOR CARY AND CARMICHAEL; EXIMBANK; BRUSSELS FOR FAA

E.O. 11652: N/A

TAGS: EAIR, GR

SUBJECT: CIVAIR: OLYMPIC AIRWAYS FLEET EXPANSION AND PLANNING

REF: (A) ROME 4276, (B) ATHENS 1066

1. SUMMARY: RCAA DWOR, EMBASSY COMMERCIAL ATTACHE FLACK
AND COMMERCIAL ADVISORY ANGELIDES MET MARCH 21 WITH OLYMPIC
AIRWAYS NEW CHAIRMAN NICHOLAS FARMAKIDIS AND TECHNICAL
ADVISOR TO GENERAL MANAGEMENT EVAN. PANTAZOGLU. BOTH OFFICIALS
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PAGE 02 ATHENS 02375 01 OF 02 221804Z

CONFIRM RECENTLY SIGNED LETTER-OF-INTENT BY AIRLINE FOR TWO
AIRBUS INDUSTRIE A-300 B4'S FOR DELIVERY EARLY 1979. PANTAZOGLU
INDICATES THAT COMPETING U.S. COMMERCIAL JET TRANSPORT OFFERINGS LOST
OUT TO A-300B4 DUE TO COMBINATION OF LATE DELIVERIES AND
INADEQUATE CAPACITY FOR SPECIALIZED SHORT-TO MEDIUM-RANGE OLYMPIC
AIRWAYS ROUTE SECTORS. FUTURE FLEET ACQUISITIONS OF AIRLINE WILL BE
CONFINED TO ADDITIONAL A-300 B4'S, BOEING ADVANCED 737-284 TWINJETS,

AND BOEING 747-284B'S; RCAA, HOWEVER, ALSO FORESEES OLYMPIC 1983-1985 BOEING 707 REPLACEMENT REQUIREMENT IN CATEGORY OF BOEING 777-200, A-300B11, LOCKHEED L-1011-500, OR MCDONNELL DOUGLAS DC-10-30 FOR LIGHTER TRAFFIC DENSITY/LONG-RANGE ROUTES (E.G. ATHENS-NAIROBI-JOHANNESBURG, ATHENS-MONTREAL-CHICAGO). END OF SUMMARY.

2. OLYMPIC AIRWAYS RECENTLY SIGNED LETTER-OF-INTENT WITH AIRBUS INDUSTRIES FOR TWO A-300B4'S, VALUED AT APPROXIMATELY \$70 MILLION, FOR DELIVERY JANUARY, FEBRUARY 1979, SUBJECT TO GREEK GOVERNMENT APPROVAL AND AVAILABILITY SATISFACTORY FINANCING. THREE ADDITIONAL A-300B4'S ARE ON OPTION FOR DELIVERY PRIOR TO 1981.

3. AIRBUS INDUSTRIE HAS OFFERED AIRLINE ALTERNATIVE OF TWO NEW A-300B4'S FOR LEASE COMMENCING JULY 1978 TO COVER OLYMPIC'S PRESSING PEAK-SEASON CAPACITY REQUIREMENTS THIS YEAR. AT EXPIRATION OF LEASE (PRESUMABLY EARLY 1979), OWNERSHIP WOULD THEN REVERT TO OLYMPIC AS GREEK CARRIER'S TWO-AIRCRAFT PURCHASE. HOWEVER, THESE TWO AIRCRAFT HAVE ALREADY BEEN BUILT OR ARE VERY CLOSE TO COMPLETION AT TOULOUSE. AS SUCH, THEY ARE NOT EQUIPPED TO MEET OLYMPIC'S SPECIALIZED REQUIREMENTS AND SPECIFICATIONS (E.G. GALLEYS, SEATS, CABIN DECOR AND PANELLING, FLIGHT DECK INSTRUMENTATION AND AVIONICS) AND WOULD BE INCOMPATIBLE WITH FOLLOW-ON AIRLINE A-300B4'S. AS RESULT, OLYMPIC PROBABLY WILL DECLINE A-300B4 INTERIM UNCLASSIFIED

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PAGE 03 ATHENS 02375 01 OF 02 221804Z

LEASE OFFER AND WAIT FOR OWN TWO A-300B'S EARLY 1979 QPARTICULARLY IF LEASED BOEING 737-200 CAN BE LOCATED TO FLESH OUT PEAK-SEASON CAPACITY REQUIREMENTS JU E AQ - SEPTEMBER 30, 1978.

4. PANTAZOGLU, WHO HAS BEEN VIGOROUS PROPONENT FOR BOEING AIRCRAFT IN FLEET SINCE AIRLINE'S INCEPTION, STATES A-300B4 ORDER MOTIVATED BY PRESSING NEED FOR LARGER AIRCRAFT TO HANDLE HEAVY SHORT/MEDIUM-RANGE TRAFFIC (PARTICULARLY DURING PEAK SUMMER SEASON) COUPLED WITH UNIQUELY EARLY DELIVERY DATES OFFERED BY AIRBUS INDUSTRIE. COMPETING U.S. AIRCRAFT MANUFACTURERS COULD NOT MEET EARLY 1979 DELIVERIES EITHER WITH BOEING ADVANCED 727-284'S, MCDONNELL DOUGLAS DC-9 SUPER 80'S, LOCKHEED-CALIFORNIA L-L011-400'S, OR BOEING NAP'S (757, 767, 777). FURTHER, 155-SEAT ALL-ECONOMY CAPACITY ADVANCED 727-284'S AND DC-9 SUPER 80'S ADJUDGED INADEQUATE, IN COMPARISON WITH A-300B4'S 255 SEATS, TO MEET SPECIALIZED ATHENS-HERAKLION, ATHENS-THESSALONIKI, ATHENS-RHODES HIGH-DENSITY DOMESTIC SECTOR REQUIREMENTS AND TO ADEQUATELY MEET BRITISH AIRWAYS L-1011 TRISTAR COMPETITION ATHENS-LONDON AND AIR FRANCE A-300B2/B4 COMPETITION ATHENS-PARIS.

5. AIRLINE HAD EARLIER SERIOUSLY CONSIDERED ACQUISITION ADDITIONAL BOEING 727-284'S (ADVANCED VERSION) RATHER THAN A-300B4'S, ON BASIS

OF FLEET STANDARDIZATION (SIX 727-284'S PRESENTLY IN AIRLINE'S INVENTORY). HOWEVER, ADVANCED 727-284'S FINALLY REJECTED DUE TO INCOMPATIBILITY WITH IMPENDING (1984-1985) MORE STRINGENT ICAO/HOST GOVERNMENT NOISE-LEVEL REGULATIONS, A-300B4'S CLAIMED 20 PERCENT - 25 PERCENT LOWER SEAT-MILE OPERATING/FUEL BURN-OFF COSTS, INADEQUATE PASSENGER CAPACITY, AND UNSATISFACTORY DELIVERY POSITIONS. ACCORDING CHAIRMAN AND PANTAZOGLU, BOEING SUBMITTED PROPOSAL SEVERAL DAYS AGO TO OLYMPIC COVERING NEW 200-SEAT 767-200 WIDEBODIED TWINJET. DELIVERY DATES PRESUMABLY SPRING 1983, WHICH APPEARS MUCH TOO LATE FOR OLYMPIC'S SHORT/MEDIUM-RANGE REQUIREMENTS. RCAA DOES FORESEE, HOWEVER, BOEING'S PROPOSED NEW 777-200 200-SEAT WIDEBODIED TRIJET AS A LIKELY OLYMPIC 707 REPLACEMENT FOR LONG, THIN ROUTES 1983 ONWARD.

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PAGE 01 ATHENS 02375 02 OF 02 221817Z
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FM AMEMBASSY ATHENS
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AMEMBASSY SINGAPORE
AMEMBASSY CANBERRA
AMCONSUL MELBOURNE
AMCONSUL SYDNEY
AMCONSUL JOHANNESBURG

UNCLAS SECTION 2 OF 2 ATHENS 2375

6. OLYMPIC IS HIGHLY PLEASED WITH PERFORMANCE, ECONOMICS, RELIABILITY
,
AND MAINTANABILITY OF ITS PRESENT ADVANCED 737-284'S AND 747-284'S.
AS SUCH, AIRLINE'S FUTURE FLEET ACQUISITIONS WILL INCLUDE ADDITIONAL
BOEING 747-284B'S AND ADVANCED 737-284'S, IN ADDITION TO AIRBUS
INDUSTRIE A-300B4'S. THE EXISTING FLEET OF TWO BOEING 707-384B'S, TWO
BOEING 707-384C'S, TWO BOEING 707-351'S, AND SEVEN BOEING 720-051'S

WILL BE GRADUALLY PHASED OUT OF SERVICE, PARTICULARLY AS MORE STRINGENT ICAO AND HOST-GOVERNMENT NOISE AND EMISSION STANDARDS AVZPLEMENTED. THE SIX NIHON YS-11A-520 TWIN-TURBOPROP AIRCVMFT (64 SEATS) WILL BE REPLACED, BY ADVANCED 737-284 TWINJETS (122 SEATS) AS SECONDARY DOMESTIC ISLAND (E.G. MYKONOS, SANTORINI, SKIATHOS) AND MAINLAND AIRPORTS ARE UPGRADED AND TOOQ DEMAND WARRANTS. THE SIX BOEING 727-284 TRIJETS IN PRESENT FLEET WILL BE KEPT OPERATIONAL UNCLASSIFIED

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PAGE 02 ATHENS 02375 02 OF 02 221817Z

AS LONG AS POSSIBLE BUT WILL ULTIMATELY BE REPLACED BY A-300B4'S OR OTHER NEW AIRCRAFT TYPE.

7. ALTHOUGH CHAIRMAN FARMAKIDIS SEES FUTURE ADDITIONS OF BOEING ADVANCED 737-284'S (FOUR PRESENTLY IN SERVICE) AND BOEING 747-284B'S (TESENTLY IPCE) TO FLEET, HE DOES NOT BELIEVE ANY OF THESE ORDERS WILL BE EFFECTED DURING QAQL CRUCIAL TO AIRLINE'S ORDERING OF THIRD BOEING 747-284B IS REIMPLEMENTATION OF GREECE-AUSTRALIA (ATHENS - SINGAPORE - MELBOURNE - SYDNEY) SCHEDULED ROUND-TRIP SERVICES SUSPENDED LAST YEAR (DUE FLIGHT-CREW JURISDICTITIONAL PROBLEM S) FARMAKIDIS BELIEVES ROUTE MAY BE REIMPLEMENTED THIS YEAR IF ONE BOEING 747 CAN BE LEASED FOR THE SERVICE (AND IF DIFFICULT FLIGHT-CREW CONTRACTUAL ARRANGEMENTS CAN BE OBIATED). HOWEVER, CHAIRMAN BELIEVES PEAK-SEASON TRAFFIC REQUIREMENTS OF ROUTE (CHRISTMAS/EASTER EXPATRIATE) HAVE ALREADY BEEN LOST FOR 1978. RCAA NOTES, HOWEVER, STRONG YEAR-ROUND TRAFFIC DEMAND ON GREECE-AUSTRALIA ROUTE, AS PREVIOUSLY EXPERIENCED BY GREEK CARRIER. WE INFORMED FARMAKIDIS THAT SYRIANAIR MAY BE INTERESTED IN DRYLEASING OR WETLEASING ONE OF ITS TWO 747SP'S TO OLYMPIC FOR 1978 AND/OR 1979. WE NOTE OLYPIC ORDER THIS YEAR FOR NEW 747-284B WOULD PERMIT DELIVERY 1980. GREECE - AUSTRALIA ROUTE, WHEN REIMPLEMENTED, WILL BE SERVED THREE ROUND-TRIP SCHEDULES WEEKLY (RATHER THAN PREVIOUS TWO), MORE ADEQUATELY MEETING CAPACITY AND TRAFFIC REQUIREMENTS AND ALSO MINIMIZING COSTLY FLIGHT-CREW AND CABIN STAFF LAYOVER TIMES IN AUSTRALIA.

8. LAST YEAR OLYMPIC PLANNERS BELIEVED POLITICAL UNREST SOUTHERN AFRICA WOULD DAMPEN GREECE-SOUTH AFRICA AIR TRAFFIC (HEAVILY GREEK EXPATRIATE) GROWTH. HOWEVER, TRAFFIC GROWTH ON ROUTE HAS CONTINUED BUOYANT, WITH AIRLINE'S PLANNING AND DEVELOPMENT DIRECTOR UNCLASSIFIED

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PAGE 03 ATHENS 02375 02 OF 02 221817Z

MAVROKEFALOS PRESENTLY IN JOHANNESBURG NEGOTIATING WITH POOL-PARTNER SOUTH AFRICAN AIRWAYS FOR POSSIBLE THIRD WEEKLY OLYMPIC

ROUNDTRIP FREQUENCY ATHENS-NAIROBI-JOHANNESBURG.

9. FARMAKIDIS DOES NOT BELIEVE 1977-SUSPENDED SCHEDULED ROUNDTRIP SERVICES ATHENS-CHICAGO (VIA MONTREAL) WILL BE REIMPLEMENTED THIS YEAR, ALTHOUGH ATHENS-MONTREAL TRICE-WEEKLY ROUNDTRIP SCHEDULES WILL BE RESUMED APRIL 1, 1978.

10. CHAIRMAN, AS FORMER BANKER, INDICATES HE WILL NEGOTIATE AGGRESSIVELY WITH AIRBUS INDUSTRIES FOR FAVORABLE A-300B4 FINANCING, WITH PARTICULAR EMPHASIS ON INTEREST RATE LEVELS.

11. DUE ABSENCE MAVROKEFALOS, WHO IS BEST OLYMPIC SOURCE FOR TRAFFIC AND FINANCIAL DATA, THESE ASPECTS OF AIRLINE'S PRESENT STATUS WILL BE REPORTED LATER.
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Message Attributes

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